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Sales and Marketing MANAGEMENT

S&MM Interview: Pepsi-Cola's John Costello

Page 36

When salespeople talk, does management listen?

Fleet Cars: An S&MM Special Section

Trade shows in China

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S&MM Special Section! Fleet Cars, Page 81.

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Cover:
With Pepsi pulling ahead of Coca-Cola in grocery store sales, their next target has already been chosen: the fountain market, where Coke still has a commanding lead. Pepsi marketing vice president John Costello talks about the cola wars. Page 36.

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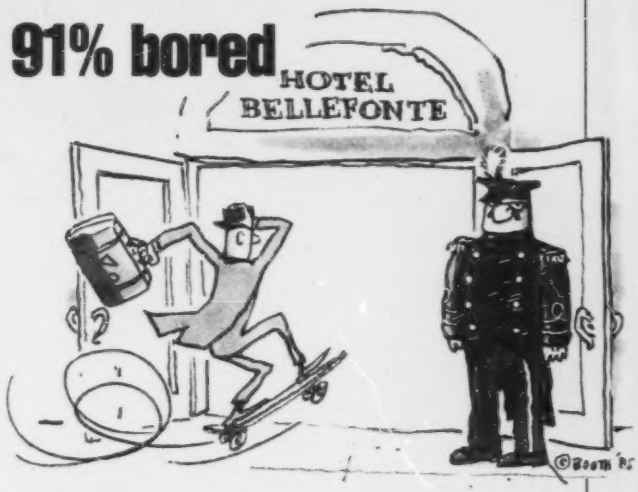
29% drunk, 96% clean, 91% bored



We've all heard the stories about business people out on the road. The travelling salesman joke is as much a part of American folklore as the Alamo or Mrs. O'Leary's cow. The stereotype is often portrayed as an overweight, middle-aged, leisure-suited marauder, descending on unsuspecting young things in the dim light of a hotel bar, slick-talking their way into a one-night stand. The reality is something quite different—and equally shocking.

A recent study of the frequent traveller as a lodging guest, conducted by Market Facts, Chicago, for the American Hotel and Motel Assn., blew a number of these stereotypes right out of the water.

Today's road-weary business person, it says, is likely to be younger, more affluent, and fussier than his cigar-chomping ancestor—but that's not the worst of it. The study uncovered a trend that showed only 29% listing the cocktail lounge or bar as something they would use "most of the time." Instead, respondents listed soap (96%) and TV (91%) as the services they rated most desirable.

Soap and TV? What's the world coming to? If these people aren't careful, the image of America's travellers and salespeople is going to become forever—well, soiled.

Another effect this wave of cleanliness is having is reflected in the answers people gave concerning their reasons for selecting accommodations. When asked what their most important criterion was for first-time selection, almost two-thirds listed location and convenience of the lodging in question. But when these same frequent travellers were asked about the most important reason for *returning* to a particular hotel or motel, their answer was—you guessed it—appearance and cleanliness. At this point, it's all beginning to sound a bit *too* clean.

Other areas covered by the survey include a profile of the age and income of the 1,055 respondents, who were selected from among a representative panel of 30,000 men and women on the basis of their travel histories. Figures were compared with those from a similar study done in 1981, and the changes in the three age groups surveyed show a decided trend toward a younger lodger. The under-35 age group increased from 21% to 28%, while the over-50 age group fell by roughly the same rate, from 38% down to 30%. In the middle, the 35-to-50 age segment showed relatively little change, up from 40% to 42% between 1981 and 1985.

Income levels, which showed the most dramatic shift, were charted for four different groups. Those earning less than $20,000 and those with incomes between $20,000 and $29,000 decreased by 10% and 12% respectively, while respondents with earnings of more than $30,000 increased from less than half (44%) to two-thirds (66%) of the travellers surveyed. The largest increase was in the $50,000-plus group, which posted a 14% increase between 1981 and 1985.

One of the most surprising statistics had to do with participation in frequent-flyer and/or frequent-traveller programs. Only 30% of the respondents were involved in frequent-flyer programs, and just 21% were enrolled in some type of frequent-traveller plan. Clearly, there is a need for greater concentration on these areas by incentive program operators, who have up to now targeted the business traveller rather than the market as a whole.

Obviously, there's something afoot here, although it's difficult to say whether these statistics will have any lasting effect on the way salespeople and other frequent travellers are perceived. The noticeable lack of any of the standard vices once associated with the sales stereotype could signal a whole new era of acceptance for anyone who lives out of a suitcase, and will undoubtedly make the soap manufacturers and TV moguls happy.

There is, of course, the still-unanswered question of sex. The survey's findings in this area were particularly interesting. Under that heading in the survey results we find the following data: Males–64%; Females–36%. Pretty revealing stuff, until we found out that it concerned the gender of the respondents, and had absolutely nothing to do with frequency, preference, or any of the other things you might have been thinking of.

By Richard Kern,
Editorial Director, S&MM Surveys

As seen by the Survey

Big bucks: Metros with the highest meal and lodging costs

Rank	Metro	Per Diem Meal & Lodging Cost	Rank	Metro	Per Diem Meal & Lodging Cost
1	New York	$134.85	6	Boston	$105.20
2	San Francisco	128.95	7	Atlanta	103.05
3	Washington, DC	119.40	8	New Orleans	102.25
4	Chicago	117.85	9	Newark	100.75
5	Los Angeles	108.55	10	Miami	98.20

Source: Sales & Marketing Management's 1985 *Survey of Selling Costs.*
*Sales & Marketing Management.

now mounting a major drive in Congress to overturn the ruling.

Why now? "The growth of mail-order companies, new methods of marketing, such as computers, and some political considerations have prompted us to renew our request," explains John Gambill, an official of the National Assn. of Tax Administrators. The group will propose a bill that would require companies that earn more than $100,000 in yearly sales in a given state to collect its use taxes, although companies would not have to deal with the more than 6,000 city and county use taxes.

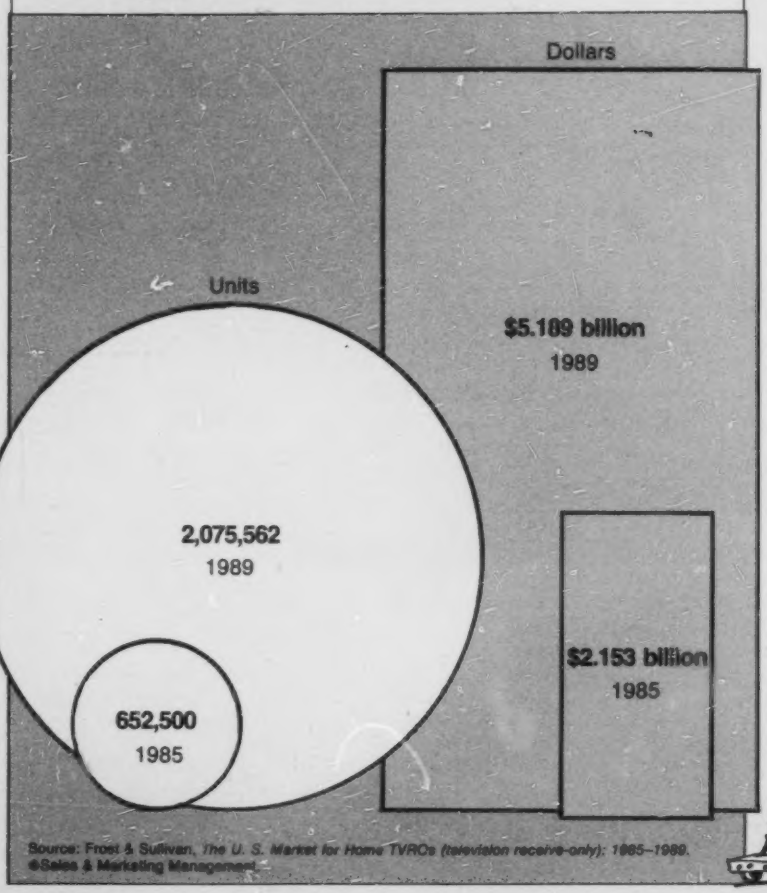
Needless to say, the direct-marketing industry is on full battle alert. "The collection burdens under this proposal range from substantial to overwhelming," says Bob Levering, director of government affairs for the Direct Marketing Assn. He worries that the bill could be attached to an omnibus tax measure this year, or pick up steam as major retailers join the opposition fight to make their mail-order foes ante up. S&MM

MARKET HIGHLIGHT

Boom times for backyard dishes

The home satellite industry will experience explosive growth in annual unit sales, up 218%, and dollar volume, up 141%, in the 1985–89 period, according to a new Frost & Sullivan report. Technological improvements and falling prices will spur the increase, says the New York City-based research firm. However, continuing problems will confront the industry: local zoning restrictions on installation of the satellite receiving terminals, and "scrambling" techniques by premium service suppliers designed to eliminate free users.

Soaring sales for satellite terminals



Source: Frost & Sullivan, *The U. S. Market for Home TVROs (television receive-only): 1985–1989.*
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FRANCHISING

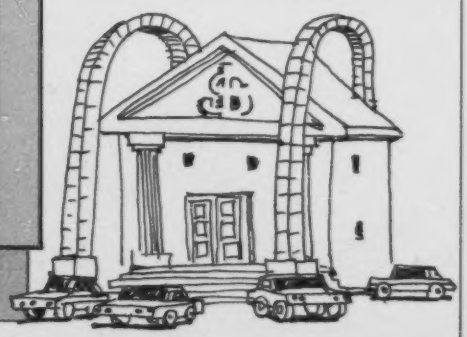
First Interstate: too successful?

John Dean, president and CEO of First Interstate Systems, the franchising subsidiary of First Interstate Bancorp, Los Angeles, says that when his organization announced three years ago that it was going to franchise its services, the reactions of other bankers ranged from raised eyebrows to raised hackles.

The eyebrows have now been lowered.

Before launching its franchise program in 1982, First Interstate had assets of $40 billion and owned banks in 11 western states.

Three years later, assets are at $46 billion and new agreements have been signed with banks in Alaska, Colorado, Iowa, and a host



When salespeople talk, does management listen?

Soliciting salespeople's opinions motivates them, some managers find. Yet new surveys show that the views of field reps go largely ignored.

By DON WAITE
President
Sales Staff Surveys

What's your "cure" for motivating your sales force?

Some highly popular ones these days are staging more elaborate sales contests, giving more expensive recognition awards, or picking truly exotic meeting locations. Managers often experiment with new incentive systems, new job levels, or simply retraining the sales force.

But some managers are discovering that simply asking salespeople for their opinions and then following up on those suggestions where appropriate is at least as good at motivating their reps as any of the other approaches listed. Strange, then, that so few companies bother to attempt it.

Surveys among 26 companies in a wide range of marketing activities—industrial, consumer, and service included—found that sales managers, on average, are not listening to their sales forces. That's the firm conviction of the 8,000-plus sales reps and more than 1,000 first-line managers who returned survey questionnaires. It's also proof that Lee Iacocca's best-selling autobiography hits the nail on the head in at least one area. "Too many people," Iacocca notes, "fail to realize that real communication goes in both directions."

One of the prime questions we asked our respondents was how they rate their companies in asking for their suggestions on how to improve overall sales effectiveness. The results, which we consider to be startling, appear in Table 1. Among 1,077 first-line managers, 44% rate their companies in a "Below average/One of the worst" category. For sales reps, the figure is 46%. Also, the longer a sales rep stays with his company, the less he expects management to try to learn what the sales force has to say about increasing sales effectiveness.

Another key question was, "How do you rate your company at listening to field concerns?" Table 2 shows the general answer to be, "Not very well." At least, that's the view of 43% of 1,040 first-line managers and 46% of 7,615 reps. Among the most experienced reps, 58% rate their executives negatively in listening to field concerns, even though we all know that those worries often reflect customers' concerns. One respondent put it this way: "They only hear what they want to hear."

Giving recognition, it is argued, is a proven method for ensuring that the sales force is, and stays, highly motivated. Recognizing the accomplishments and efforts of veteran salespeople, we are often told, is an excellent way to keep them from "plateauing." As Table 3 shows, managers do better in this regard. Of 1,075 first-line managers, 64% indicate that their companies do, in fact, recognize their extra efforts, achievements, and the like. Sixty-nine percent of 8,016 reps have the same high opinion. Again, the most veteran reps give their companies poorer marks in this area, although by just a shade, than do all reps.

We also were interested in discovering how good a job our 26 companies do in ensuring that their salespeople are challenged to perform better in their jobs. Table 4 reports the opinions of salespeople at two companies which have approximately the same size sales force and which sell the same products in the same markets. Note that salespeople and first-line managers at both firms believe that their respective companies do a good job at asking for their opinions on how

Some choice cuts (if executives are listening)

Respondents to the survey frequently contributed their personal comments. Here is a selection of the more passionate among them:

- ☐ Management listens only after decisions are made and are irreversible.
- ☐ You express concern over sales problems and you're labelled "negative."
- ☐ Eliminate the fear factor in contacting headquarters.
- ☐ Although we are the finest company with the best product, the field salesman is not recognized by upper management because it is always worried how much it will cost.
- ☐ It just seems to me that when our opinions are solicited, a response should be made. We hardly ever hear about it again.
- ☐ We have stopped listening to our customers; we tell them.

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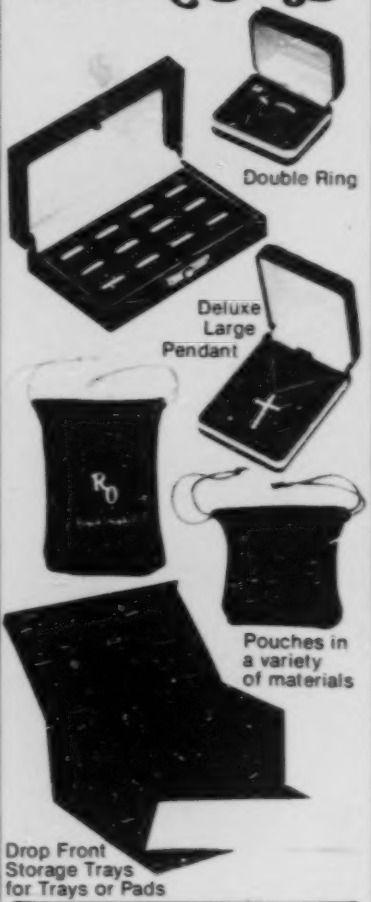

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How do you rate your company on asking for your suggestions about improving overall sales effectiveness?

1

	1,077 first-line managers	8,288 sales reps	Reps by tenure: 2,872 under 5 years	1,883 with 5–10 years	3,433 over 10 years
"One of the best"	7%	10%	15%	8%	7%
"Above average"	49	44	50	42	40
"Below average"	36	37	30	40	41
"One of the worst"	8	9	5	10	12

How do you rate your company at listening to field concerns?

2

	1,040 first-line managers	7,615 sales reps	Reps by tenure: 2,736 under 5 years	1,704 with 5–10 years	3,172 over 10 years
"One of the best"	6%	8%	14%	4%	5%
"Above average"	51	46	54	44	37
"Below average"	36	37	26	41	47
"One of the worst"	7	9	6	11	11

Does your management recognize you for extra effort?

3

	1,075 first-line managers	8,016 sales reps	Reps by tenure: 2,872 under 5 years	1,820 with 5–10 years	3,324 over 10 years
"Definitely yes"	14%	17%	22%	14%	15%
"Generally yes"	50	52	53	51	51
"Generally no"	31	27	22	29	29
"Definitely no"	5	4	3	6	5

Rate your company on asking for your opinions.

4

	Company A Total reps: 373	Company B Total reps: 371
"One of the best"	23%	13%
"Above average"	53	54
"Below average"	20	27
"One of the worst"	4	6

Does your job provide a challenge?

	Company A	Company B
"Definitely yes"	59%	38%
"Generally yes"	36	50
"Generally no"	4	10
"Definitely no"	1	2

things might be improved. Observe, also, that Company A gets a "One of the best" ratings that is almost twice as high as its competitor's, despite the almost perfect match in the size of their sales forces. Asked, "Does your job provide a challenge?" the difference between these two companies grows dramatically. Fifty-nine percent of Company's A's reps give it the highest possible rating vs. 38% of Company B's.

'Continuing dialogue'

How did Company A achieve superior results? While neither company wishes to be identified, a marketing executive from Company A agreed to shed some light on his organization's feedback philosophy. "At this company," he says, "part of the first-line manager's responsibility is to have a continuing dialogue with the reps." These district managers, he adds, must formally notify their regional managers of any bits of information or suggestions from the reps that they feel are noteworthy. A carbon is also sent to headquarters.

Company A insists that all sales and marketing executives at the home office spend at least two days per quarter working in the field with salespeople. They are also required to mix with reps when they are called to headquarters for training sessions. "Last but not least," says Company A's marketing chief, "we have a firm policy for promoting from within."

While Company A has achieved a fruitful dialogue with its reps in the field by periodically surveying them for opinions, most salespeople are acutely aware of being ignored. As someone once sagely observed: "An organization that is in essence authoritarian creates the silence in which it functions." S&MM

Don Waite *is a former manager of sales and marketing training for Continental Can, now Continental Group. His company aids sales executives in researching salespeople's opinions about policies and strategies. His clients include E.R Squibb, Nabisco, Johnson & Johnson, and others.*

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assigns a 7 and has not even put on a demo, the manager knows he's inflating the figure, which could throw his forecasts off."

Mitchell has been selling project management software for 12 years and edged into sales and marketing software, Leonard says, "when we noticed sales and marketing becoming more involved in the new product development work for which clients used our project management package."

SAMM currently runs on Wang VS superminis and PCs, requires 512K memory and 10MB available storage, and costs $38,000. The first version was written on Wang equipment, says Leonard, because "we have a VS in house and, as we looked at the office market, Wang was the only one with a significant presence, aside from IBM, as a result of its word processing installations." Future versions will be written for other equipment, with IBM most likely the first choice.

Dun & Bradstreet widens telemarketing net

Hoping to exploit the growing trend to formal in-house telemarketing departments, Dun & Bradstreet's Salesnet, Norwalk, CT, formed a joint venture with Coffman Systems, Cerritos, CA, a producer of data-gathering software. Designed primarily for direct marketers with a manual or semi-automated telemarketing setup, the venture will offer turnkey packages using advanced software developed by Coffman to support inbound and outbound calls. Services offered will include development of marketing strategies and scripts for sales and data gathering applications plus consultation on hiring, training, supervising, monitoring, and evaluating telephone sales representatives.

"In executing telemarketing programs for our clients," says Salesnet sales director Jeffrey M. Killeen, "we noticed many companies installing their own telemarketing operations. We see in-house telemarketing as potentially the fastest growing segment in the industry."

One aspect of Coffman's software that attracted Salesnet was its hardware independence, that is, being able to run on IBM and non-IBM equipment. "Most telemarketing vendors key their customers to a particular type of hardware," says Salesnet systems director Lewis L. Copley.

Salesnet, founded in 1979, claims to have developed more than 1,000 sales and data collection programs for more than 400 business-to-business and consumer clients.

COMPENSATION HIGHLIGHT

Small gains for hi-tech sales, marketing execs

Sales and marketing executives in the hi-tech industries are feeling the sector's publicized woes in their wallets. Base salaries of those executives will rise 6.4% this year, the fourth straight year in which raises failed to match the previous year's rate, according to the American Electronics Assn.'s annual *Survey of Executive Compensation*. Some 1,095 companies participated in the survey, providing data for 500 top sales executives, 258 top marketing executives, and 508 senior executives in charge of sales and/or marketing operations. Sales and marketing is one of the 19 functional categories covered in the survey.

Annual increase in base salary

Functional Category	1980	1981	1982	1983	1984	1985
Senior sales & marketing executive	+8.9%	+10.9%	+ 9.9%	+ 7.7%	+6.0%	+6.3%
Top marketing executive	8.4	9.0	7.8	8.7	7.0	5.8
Top sales executive	4.9	11.8	10.5	10.3	8.5	5.9
Sales & marketing category average	7.8	10.5	9.3	8.6	7.9	6.4
All 19 categories	9.2	10.1	9.6	7.9	8.1	7.2

Source: American Electronics Assn., *Survey of Executive Compensation: 1985*. *Sales & Marketing Management.

READY TO HIT THE ROAD

An exclusive S&MM survey shows that, although marketers still chafe over costs, they want to put salespeople in just the right car.

By ARTHUR BRAGG
Senior Editor

Sometime soon, Ron Basso, vice president for sales at Continental Extrusion, Garden City, NY, will not only increase the number of cars in his sales fleet but will make sure that those new vehicles are more appealing to his sales force. "We're giving our salespeople better cars," says Basso, who has a fleet of less than 50 vehicles. "We are upgrading to Oldsmobile Cutlasses and we are adding more options this year, such as automatic door locks and better radios."

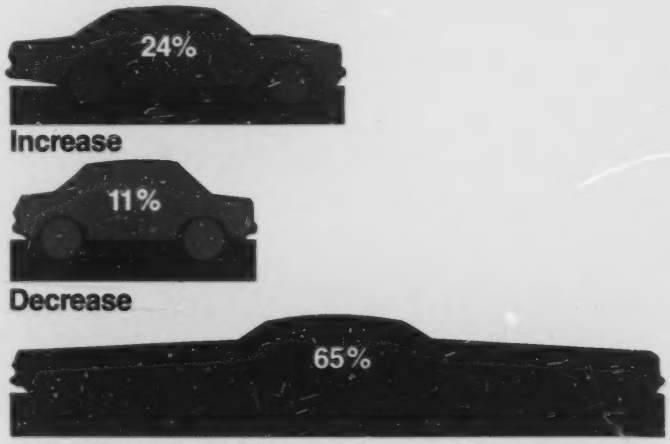
As his sales force enjoys all that ease and comfort, however, Basso still has serious concerns about his fleet. One is costs. He estimates that operating his fleet is 8% more expensive than last year. Half of that increase he blames on inflation, most of the rest on maintaining his vehicles. To keep the spiral in his costs at just 8%, "I stay abreast of what all lessors are offering, although I haven't needed to change from my basic supplier. And I use local mechanics for repairs. My rule is, stay away from manufacturers' dealers."

In an S&MM telephone survey of 60 sales and marketing managers and fleet administrators nationwide, conducted in late August, respondents revealed a number of concerns about the coming model year. Among them are the following:

- Although fleet costs are far less punishing than in the energy crisis years (despite 3% higher price tags on 1986 models) 85% of the respondents cited expenses connected with operating their fleet cars as a compelling worry.
- The resale market's many surprises for fleet users (prices are far under what fleet users expected) have become a problem for most. Indeed, 75% of the survey's respondents included reselling on their list of major issues. "It's our top concern because we're out to get top dollar," says respondent Dean McDaniel, marketing director for MPI Label Systems, Warrington, PA. His situation is complicated because the cars his salespeople use clock between 80,000 and 90,000 mi. before they're sold. To get the best resale prices possible, McDaniel gets a local used-car auction house to sell his cars for him instead of using a resale house. But before doing that, he attempts to get salespeople themselves to buy their cars.
- The IRS at presstime planned to unveil a remodeled tax code for fleet users sometime this month, the consequences of which have worried managers ever since the changeover was announced last year. (This has contributed to a new awareness of fleet administrators within their companies, as reported in S&MM's July 1 issue). Seventy percent of the respondents indicated

1 Purchasing plans of fleet users

Do you plan to increase, decrease, or maintain the number of vehicles in your fleet in the coming year?



Base: 58 replies.

that they, too, can't wait to f
what's in store for their tax
on fleets. For a preview of
likely to come out of Washin
such matters as depreciati
usage, see page 100.

● Sixty percent of the 60 r
dents cited that old bugaboo,
tenance. The new model yea
well see fleet users growi
more aggressive with car m
dealers, and lessors over r
nance problems. Responden
cited a new willingness to d
additional warranty coverage
ers told S&MM they plan
crease their use of preventive
tenance (PM) programs.

● Almost 50% of those
viewed said that many of the
cerns center around whether
people are satisfied with thei
cles, although few seem re
emulate Continental Extru
Basso and apply the give-the
ter-cars approach. Most sales
utives at least express an awa
of salespeople's feelings and
willingness to do something
them. Says Nick Yackley, m
of sales support for S.C. Johr
Son's consumer group, "Wh
don't have a formal method f
taining feedback on fleet
ences, the sales manager or I
talk with our salespeople abou
cars when we make field visits
we get out in the field a great d
Yackley's responsibility is to
his division's 500 cars, all of
leased, operating day-to-day.

S&MM's survey shows also
the tendency to keep comp
owned cars longer before bu
new ones is as strong as ever;
of the 26 respondents who sup
data on their auto-retention
tices say they now keep their c
operation three years before re
ing them. In S&MM's 1982 s
of fleet users, slightly less than
held onto their cars for as long
months.

The fleet manager of a Phil
phia financial services com
who buys and sells up to 1,000
tells S&MM that he keeps the cars
"an average of 30 months, which

Base: 1984 and 1985, 60 replies; 1986, 40 replies.

6 For most, a longer wait

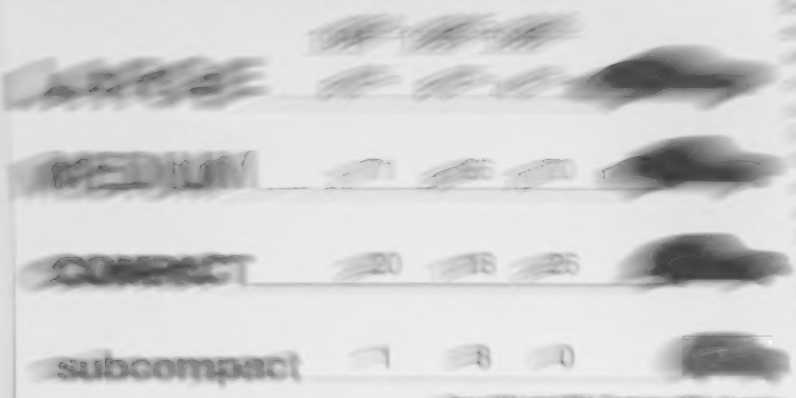
How long do you keep your fleet cars before acquiring new ones to replace them?

Base: 26 replies.

of the nation's estimated 3,000 independent leasing companies, most of whom make economy their top

7 Continuing appeal of the mid-sized car

What size vehicle have you chartered recently, and what size will your 1986 models be?



Basis: 1984 and 1985, 80 records; 1986, 51 records

says, adding, more than a little wistfully, "If the lessor were in greater control of management, then I wouldn't have to work on Saturdays and Sundays."

The desire to save money in connection with fleet cars is also strong among field salespeople, S&MM's survey shows. Several managers note that salespeople who drive their own cars discover that when they trade them in, the prices they get are "disappointingly low." Such salespeople "soon come to prefer the no-surprises atmosphere connected with driving brand-new cars," as one sales manager put it.

Expansion plans

Over all, slightly more than one out of every four of S&MM's respondents who plan to increase their fleets next year (26% of the 58 who furnished such data, 25% will add extra vehicles to their present fleets vs. 11% who, like Crean, will drop the total number of cars their companies use. The remainder of the respondents, 63%, plan to maintain their fleet size.

The current interest in building up fleets most likely reflects the tendency to make up for deferred demand. Indeed, in S&MM's 1985 survey, 46.6% of the respondents said they were putting off purchases or new leases, usually because of concern over rising fleet costs.

S&MM's survey shows that computers are saving some fleet users from having to put in extra hours, but clearly not all. The survey also indicates that there are no ground rules in determining which fleet users are most likely to be computer "haves" and which are "have nots." Some small fleet users, such as Northwest Natural Gas, which operates less than 50 vehicles, rely heavily on a computer in a variety of roles, whereas many large companies, such as Westinghouse, get no help from the machines whatever. Even in the same industry, usage varies widely. Dan Tipton, fleet manager for Coca-Cola Bottling Co. of Los Angeles, which has a computer system, says, "We rely on the computer for everything, and we've been using computer programs for a long time." One reason cited by the survey is that the computer has a long way to go before establishing itself as fleet management the way it has in office functions—25% of the survey's 68 respondents do not use a computer at all.

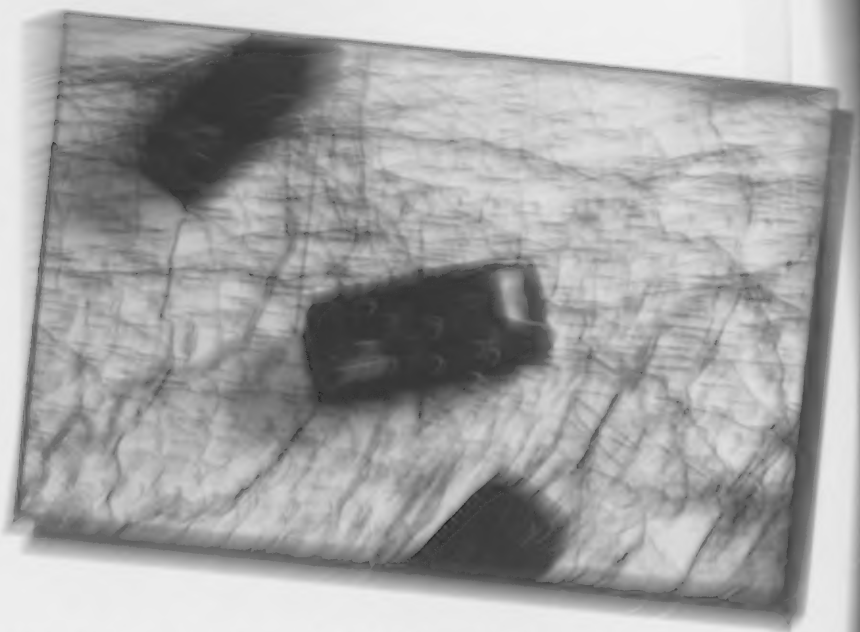
Among respondents who do employ a computer in association with their fleets, helping in controlling costs is the most likely task to be assigned to the machine: 58% of the respondents who use computers indicated relying on them in this area. The second most prevalent use is in the purchasing or leasing of new vehicles; 47.2% of the respondents use computers for this purpose also. The third most popular role for computers is in helping maintain the

Seeking closer ties

Whatever the number of the vehicles they operate, fleet users are becoming far more aggressive in getting automakers and leasing companies to help them solve their problems, especially when cars break down excessively. A study of 200 companies by Reinhelmer International, Rochester, NY, transportation consultants, reveals that nearly half pursue closer ties with their suppliers to ensure that maintenance help will be there when it's needed. Fleets [illegible] by simply not buying from the [illegible] suppliers [illegible] are also [illegible] with [illegible] more [illegible] now.

There's another way, and probably one even easier to establish, S&MM's survey shows. It's for Detroit to speed up the time between when a car is ordered and when it actually is delivered. Echoing the concern of the fleet manager at the Philadelphia-based financial services company, who feels he must order his new cars eight months in advance of the time they will be needed, the fleet administrator at a giant chemical corporation tells S&MM: "I have various concerns [illegible] but my major concern this year is delivery time, from when the cars are ordered to the time they reach our salesmen." S&MM

[illegible]



Joe Williams, a subpar performer in the sales department of a large, midwestern consumer goods company, has just turned in his car keys following his dismissal. Later that afternoon his sales supervisor walks out to the parking lot to check on the 1985 Chevrolet Celebrity that Williams used during the past 10 months on his sales calls.

He finds a car that runs, but just barely: headlights smashed, no interior lights, old candy wrappers, French fried potatoes and other junk stuffed under both seats. And under the hood an engine obviously not maintained. This is an extreme case of a disgruntled employee who is probably below standard in all areas of life, including vehicle maintenance, but it is not uncommon.

How do the sales car fared in the [illegible] of company cars continues to rise? Typically, the use of [illegible] sales managers' response to the fleet department's attempt to develop a cost control program.

Says another: "Sales has enough to worry about with pricing, delivery, competition and quality control. Salespeople aren't fleet managers. We hire them to sell."

Fleet managers find the lack of control manifests itself two ways when it comes to vehicle disposal. "We find we're getting about 84% of market value for our cars when we dispose of them," says a national fleet executive at a large consumer products company. "The reason is attributed to the poor condition we get them back in. Dents, scratches, poor alignment, sorry [illegible]

This article was written by Mr. [illegible] executives of Runzheimer International, Inc. in Rochester, Wis. Managers [illegible] Larry Snyder, vice president, consulting services, and Mark Waldoch, consultant.

Operational cost is another area of concern. Many companies try to encourage or even demand the use of self-serve fuel. During our August 1985 fuel survey, we found the difference between self-serve and [illegible]

Insurance is another area that needs attention. Group rates are being pushed up not only due to changes in the insurance industry but also due to specific company loss records. Self-insurance provides some relief, but divisions with heavy losses find bottom line profits suffer.

"I saw this year's bonus go out the window back in the first quarter when three drivers totaled their cars," says an eastern pharmaceutical [illegible]

"These were three good salespeople that were conscientious drivers that just had some bad luck. It's not their fault but it's sure rough to

make up $30,000 of lost profit."

The key to cost containment and control is to get the driver's help and participation. Companies can seek a driver's help through programs that require proper and reasonable maintenance as well as cost reporting. Full driver participation, on the other hand, can be achieved when sales is assigned profit as well as revenue responsibility.

The most popular program for cost control is a preventive maintenance (PM) program. In theory, the driver has the car serviced at proper intervals and usually at an approved repair center when possible. Often however, in the heat of selling, maintenance either goes undone or, even worse, is performed at a high-priced, nonapproved center because of convenience. Chronic abusers of this system usually find their managers spend a lot of time telling them to get in line.

Management review

Most PM programs provide internal reports that flag a driver who exceeds the prescribed norms of the company. Thus, if a driver has a more costly maintenance profile than his peers, the reports will point this out and indicate the extent the driver is exceeding normal costs. He is responsible for inputting all data via his expense report.

Another popular program is a written management review. Whenever the manager works with the driver, a simple written report of the car is conducted. At that time, the condition of the car is noted, the last oil charge is recorded, and tires are inspected for even wear. In addition, the manager provides the driver with a list of needed repairs.

This system relies heavily on management's commitment and follow-through. With the proper corporate culture, it can be effective in maintaining the driver's help in controlling costs. *In addition, these performance reports can be linked to the driver's annual bonus program, thus encouraging his compliance.* The driver must share in the profit responsibility.

One method that many companies use to help control costs is employee ownership. It has been shown time and again that when employees use their own cars the company often sees a significant drop in auto-related expenses. This can be traced to a properly designed reimbursement program that will pay an employee up front for expenses that may occur in the future.

By incorporating employee-owned vehicles into the existing fleet as an option or as a replacement for company-provided cars, the company can see immediate benefits. Foremost, it realizes better control of the budget. There are no surprises at the end of the year because you simply set your budget and meet it. There are none of the hidden costs associated with company-provided cars.

Whatever the program, the salesperson must be charged with taking an active role in controlling fleet costs. Management must also take the time to insure that he is doing everything possible to help the company meet its budget goals. For one thing is certain: Automobile costs will continue to escalate in the years to come. S&MM

Projected costs for a typical 1985 mid-sized car

Location	Operating Costs	Ownership Costs	Total Annual Costs
San Francisco	$1,305	$3,049	$4,354
Philadelphia	1,133	3,037	4,170
Los Angeles	1,215	2,940	4,155
Houston	1,185	2,630	3,815
Chicago	1,260	2,471	3,731
Washington, DC	1,200	2,460	3,660
Des Moines	1,088	2,376	3,464
Orlando	1,088	2,285	3,373
Albuquerque	1,110	2,242	3,352
Raleigh	1,088	2,225	3,313

The above table is based on a 1985 model mid-sized 4-door sedan equipped with automatic transmission, power steering, power disc brakes, tinted glass, AM-FM stereo, cruise control, and air conditioning. Costs include operating or variable costs (fuel, oil, tires, maintenance) and ownership or fixed costs (insurance, depreciation, financing, taxes, license fees). Factors are based on a four-year, 60,000 mile retention cycle.
Source: Runzheimer International.

Average annual costs for 1985 cars in a standard city

Car costs	Subcompact 2.0 L 4-Cyl.	Compact 2.5 L 4-Cyl.	Intermediate 2.8 L 6-Cyl.	Full-sized 4.3 L 6-Cyl.	Luxury 4.1 L 8-Cyl.
Operating expense/mile	6.45¢	7.05¢	8.25¢	9.10¢	9.25¢
Ownership expense/month	$215.92	$234.25	$252.58	$277.00	$404.42
Annual costs	$3,881.00	$4,221.00	$4,681.00	$5,144.00	$6,703.00

Based on a replacement cycle of three years/60,000 miles. Operating expenses include fuel, oil, maintenance, and tires. Ownership expenses include business insurance, license, registration, taxes, and finance.
Source: Runzheimer International.